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Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "The challenge of outsourcing for the United Nations system" (JIU/REP/97/5).

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THE CHALLENGE OF OUTSOURCING FOR THE UNITED NATIONS SYSTEM

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ACRONYMS

ACC	Administrative Committee on Coordination
CCAQ (FB)	Consultative Committee on Administrative Questions (Financial and Budgetary Questions), a subsidiary body of the ACC
CERN	Centre Européen pour la Recherche Nucléaire
EIU	Economic Intelligence Unit
ESA	European Space Agency
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICC	International Computing Centre
ICSC	International Civil Service Commission
ILO	International Labour Organization
IMIS	Integrated Management Information System
IMO	International Maritime Organization
ISO	International Organization for Standardization
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
OECD	Organization for Economic Cooperation and Development
OIOS	Office of Internal Oversight Services
OSCE	Organization for Security and Co-operation in Europe
SMCC	Staff-Management Consultative Committee
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNOG	United Nations Office in Geneva
UNOPS	United Nations Office for Project Services
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

EXECUTIVE SUMMARY:
OBJECTIVE, CONCLUSIONS, AND RECOMMENDATIONS

Objective:

To use the challenge of outsourcing to help build into United Nations system organizations continuing incentives for improved effectiveness.

Conclusions:

A. The value of outsourcing comes from the alternative means it provides for achieving cost savings and/or other important improvements in performing activities and services of an organization. Whether or not specific activities or services are outsourced is less important than having agreed rules and procedures to assure consideration, where appropriate, of external as well as in-house options for performing them. (See paras. 1; 81-84)

B. Outsourcing long has been used throughout the United Nations system, but mostly in an ad hoc manner without benefit of a defined policy. (See paras. 13-28)

C. More intentional and planned use of the challenge of outsourcing would provide an important means for building into the United Nations system continuing incentives for improved performance by taking advantage of competition to foster a culture in the organizations of openness to innovation and concern for cost-effectiveness. (See paras. 64-80)

D. The use of outsourcing involves potential problems that must be addressed:

(1) respecting the international character of United Nations system organizations;

(2) assuring the necessary expertise to provide appropriate control and/or management of outsourced contracts; and

(3) avoiding negative impact on affected staff. (See paras. 29-63)

E. Staff should not be penalized for past inefficiencies in the management of organizations or for technological and/or other developments related to their work beyond their control. (See paras. 48-52)

F. Organizations of the United Nations system do not have a senior level focal point within their Secretariats explicitly responsible for facilitating and encouraging the best use of the challenge of outsourcing. (See paras. 97-104)

G. Organizations of the United Nations system could share more actively experiences and lessons learned regarding the use of outsourcing, and coordinate more effectively their approaches to the use of outsourcing to profit from economies of scale and increased bargaining power. (See paras.105-109)

Recommendations:

Rec. 1. The legislative organs of each participating organization should request their Executive Heads to prepare, for approval at the appropriate level, before their next session, a policy statement committing their organizations to the use of the challenge of outsourcing as a means for achieving improved cost-effectiveness. This policy statement would include, inter alia:

(a) the criteria for determining what current and planned non-core activities should be considered for outsourcing; and

(b) measures to assure that outsourcing will not compromise the international character and mandate of the organization. (See para. 85)

Rec. 2. The Executive Heads of participating organizations should prepare, for approval at the appropriate level, administrative rules and/or procedures for implementation of the planned policy on the use of the challenge of outsourcing for their organizations that would, inter alia:

(a) guide implementation of the criteria approved for determining whether or not an activity or service should be outsourced;

(b) assure that organizations maintain appropriate control and management over outsourced activities; and

(c) improve cost-accounting methodologies in order to provide a better basis for deciding on the merits of outsourcing in each instance. (See para. 88)

Rec. 3. The Executive Heads of participating organizations should prepare, for approval at the appropriate level, changes in the structure and/or operating procedures of their Secretariats to facilitate and encourage the best use of the challenge of outsourcing, including the possible designation of an official to serve as "Facilitator" for this purpose. (See para. 100)

Rec. 4. The Executive Heads of participating organizations should assure that information on the use of outsourcing is comprehensive and transparent in the regular programme budget submissions and performance reports for their organizations. (See para. 111)

Rec. 5. The Executive Heads of participating organizations should make every effort to avoid negative impact on staff affected by decisions to outsource specific activities or services and, for when negative impact is unavoidable, prepare, for approval at the appropriate level, measures to assure appropriate protection for affected staff members. (See para. 50)

Rec. 6. The United Nations General Assembly should request the ACC, making use of the existing ACC machinery, i.e., CCAQ(FB), to:

(a) develop a system-wide definition of outsourcing;

(b) encourage increased sharing among United Nations system organizations of experiences in the use of outsourcing; and

(c) explore possibilities for joint and coordinated actions in regard to the use of outsourcing in order to gain the advantages of economies of scale and increased bargaining power. (See paras. 2; 108)

Rec. 7. Legislative organs of participating organizations should decide to review and evaluate the implementation of the approved policy on outsourcing three years after it has been initiated and, for this purpose, request Executive Heads to submit a report on the implementation of the approved outsourcing policy which would indicate, inter alia, savings and/or benefits achieved, special problems encountered, solutions attempted and proposals for appropriate improvements. (See para. 112)

I. INTRODUCTION

1. Outsourcing presents a challenge to the organizations of the United Nations system. Meeting this challenge of outsourcing does not mean necessarily deciding in favour of outsourcing any specific activity or service, but it does mean exposing in a planned manner all appropriate activities or services to the competition of outsourcing, i.e., actively considering external as well as in-house options for performing them. This report urges use of the challenge to help instill in the organizations of the United Nations system a management culture of innovation and cost-effectiveness. These are absolute requirements in the current period of economic scarcity, accelerating technological changes and increased demands on the organizations.

2. There is no agreed or commonly used definition of "outsourcing" within the United Nations system[1], nor in the literature on the subject. It would be useful for the System to agree on a definition, as called for in **Recommendation 6** in the Executive Summary.[2] This would facilitate comparisons among organizations and, thereby, make it easier for Secretariats to learn lessons from each other on outsourcing and to gain economies of scale by jointly outsourcing activities or services. It also would assist Member States in comparing outsourcing practices of one organization with those of others in the effective exercise of their oversight functions. The definition used in this report is:

> Outsourcing is contracting with a third party (e.g., independent individuals, private companies, governmental agencies, non-governmental or inter-governmental organizations) to perform specific tasks, and/or provide services and their related goods, based on specified terms and conditions. Consequently, outsourcing does not include the simple procurement of goods, such as office supplies or commodities; outsourcing also excludes the replacement or supplementation for general purposes of staff by non-regular staff (e.g., short-term, temporary, free-lance staff).

The common services arrangements among United Nations system organizations are one form of outsourcing as defined for this report; implementation of the report's recommendations would establish a framework that could help to guide the use of such common services arrangements.[3]

3. While this definition was useful for this report, the Administrative Committee on Coordination may have reasons for another formulation. More important than the formulation itself would be agreement on a common definition for use throughout the United Nations system organizations.

4. With the exception of peace-keeping activities, this report has taken advantage of the JIU's uniquely broad mandate to make the scope of the report United Nations system-wide. The use of outsourcing is an issue that has impact throughout the System, and Member States and Secretariats throughout the System have expressed interest in it, positive and negative. The United Nations peace-keeping activities have been excluded from this report, due to their magnitude and distinct character.

5. Work on this report was done in close cooperation with the United Nations Office of Internal Oversight Services (OIOS) in view of the fact that the United Nations General Assembly had requested OIOS "to undertake a comprehensive audit of the outsourcing practices, including, in particular, the contracting process, and to report thereon to the General Assembly at its fifty-first session" (Resolution 50/214, Part III, paragraph 55). The requested report by OIOS has been issued as an annex to document A/51/804 of 21 February 1997. The in-depth examination of outsourcing in the United Nations by the OIOS and the broader system-wide examination by the JIU usefully complement each other, and the recommendations of the reports are mutually supportive. As directed by the General Assembly resolution, the OIOS report concentrates in more detail on the application of the contracting process for outsourced activities and services in the United Nations, while this report is more oriented towards the use of the challenge of outsourcing as a management tool for instilling a commitment to innovation and cost-effectiveness in the Secretariats of organizations throughout the United Nations system. The two reports provide a good example of effective synergy between the JIU and the OIOS, as indicated by the Under-Secretary-General for Internal Oversight Services in his preface to the Report of his Office for the period 1 July 1995 to 30 June 1996 (Annex to A/51/432).

6. This report begins with an overview of outsourcing as it currently is practised in United Nations system organizations. In doing this, the report highlights the longstanding and widespread use of outsourcing in the United Nations system, albeit in a non-systematic manner without the benefit of a defined policy. The report then addresses the significant potential risks and problems that could result from the use of outsourcing, and what could be done about them. There then follows a discussion of the need for a policy on outsourcing and the resulting benefits to be gained. The report concludes with suggestions for making the challenge of outsourcing work, including structural and/or procedural changes within United Nations system organizations and enhanced coordination among the organizations on the use of outsourcing.

7. Planning for this report was based on a review of the literature on the subject of outsourcing and of the relevant United Nations system documents and other information available. Specific data for the report came primarily from a questionnaire sent to all participating organizations and from interviews with well over 200 officials concerned with all aspects of outsourcing in the United Nations system, and in a number of other organizations outside the System, such as: the Organization for Economic Cooperation and Development (OECD), the European Union (EU), the North Atlantic Treaty Organization (NATO), the Organization for Security and Co-operation in Europe (OSCE) , the International Or-ganization for Standardization (ISO), the European Space Agency (ESA) and, especially, the Centre Européen pour la Recherche Nucléaire (CERN). Also consulted were officials of Member States known for their concern and experience with outsourcing and individuals knowledgeable about outsourcing issues, who helpfully shared what they knew.

8. The annexed table, in addition to serving as the basis for the analysis in this report, was intended to serve also as a baseline for periodic re-examinations to monitor the future handling of outsourcing in the System. However, not all of the Secretariats were able to provide the data requested on a fully comprehensive basis for their organizations and the consistency of the data ultimately received is uncertain. These shortcomings result at least in part from there being neither a common definition of outsourcing nor an explicit policy on the use of outsourcing, both of which are recommended in this report.

9. The United Nations, in particular, was able to supply only piece-meal data, not having coherent and comprehensive information regarding the use of outsourcing for the organization as a whole. The Unit was unable to consolidate in a meaningful way the partial data received from the United Nations. For this reason, the column for the United Nations in the annexed table had to be left blank. Nevertheless, information gained in interviews with United Nations officials was most helpful and was used extensively in preparing the report.

10. As a result of the potentially inconsistent and not fully comprehensive data on which it is based, the annexed table may under-represent the current use of outsourcing in the United Nations system, particularly by field offices which make widespread use of outsourcing. It also may distort comparisons among the organizations regarding this issue. Nevertheless, the table still can be considered as sufficiently indicative for the purposes of this report. Follow up reports on this issue will require more reliably consistent and comprehensive data, which would result from implementation of this report's recommendations.

11. We take this opportunity to express our thankfulness and appreciation to all of those who contributed their ideas and expertise, and their time and effort in providing information for the report. We would, in particular, pay special tribute to FAO which in November 1994 suggested some issues for review which led us to prepare this report on overall aspects of outsourcing in the United Nations system organizations.

II. OVERVIEW OF OUTSOURCING IN THE UNITED NATIONS SYSTEM

12. In recent years there has been a new interest in the use of outsourcing by governments and the private sector to improve effectiveness and help meet the requirements of growing budgetary constraints. However, outsourcing is not a new practice, and its use certainly is not new for the organizations of the United Nations system. It is a practice that has been in use by at least some of the organizations since their founding, which predates the United Nations in four cases, and it is a practice now in use to at least a limited extent by all organizations of the System. This section of the report presents an overview of the use of outsourcing in the United Nations system, and how this practice is being managed.

A. Longstanding practice

13. The use of outsourcing in the organizations of the United Nations system dates back even into the pre-history of the System. All four Specialized Agencies that predated the United Nations were making use of outsourcing long before 1945. The International Telecommunication Union, established in 1865 as the International Telegraph Union, and the Universal Postal Union, established in 1874, were both outsourcing their printing needs back in the 19th century. Predecessor organizations of WIPO, in particular the International Union for the Protection of Industrial Property established in 1883, have long-standing experience in outsourcing as well. Finally, the International Labour Organization, founded in 1919, also always has outsourced its printing needs.

14. Over the years, the use of outsourcing has developed and, as indicated in the table annexed to this report, the practice now is in use by all organizations of the System.

B. Budgetary magnitude of the use of outsourcing

15. The use of outsourcing is widespread among the organizations of the United Nations system. However, despite the high share of resources allocated for outsourcing by UNHCR (47%), UNFPA (44%), and WIPO (26%), only a relatively small share of the system's overall resources is allocated for outsourcing. The annexed table (not including the United Nations, as explained in paragraph 9) indicates that the Specialized Agencies and IAEA in 1995 allocated about $73 million of their combined regular budget and extrabudgetary funds for outsourced activities. This included 3.5 percent of their regular budgets and 0.4 percent of their extrabudgetary funds. For the five major Operational Funds and Programmes included in the table, a total of $755 million was devoted to outsourced activities and services, which amounted to 10 percent of their total funds. These calculations should be viewed as indicative only due to the status of the data on which they are based, as noted in paragraphs 8-10.

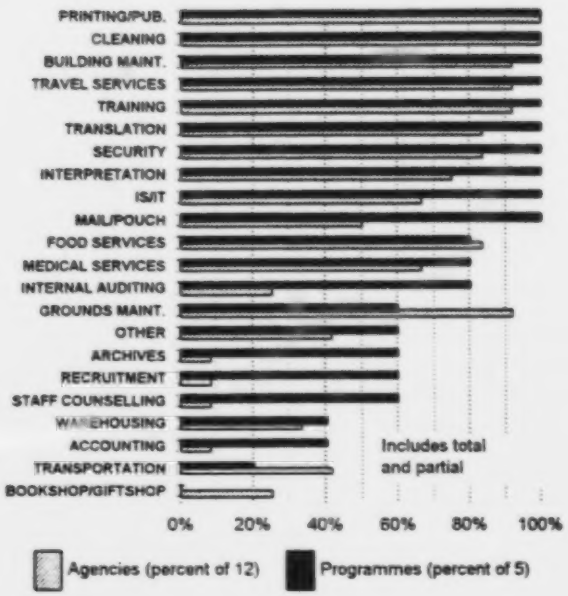
C. Kinds of outsourcing

16. Consideration of the issue of outsourcing usually focuses on its use for performing administrative support-type services. As indicated in the annexed table, this kind of outsourcing is used by all organizations in United Nations system. However, the table also indicates that one half of the Specialized Agencies and IAEA and all of the Operational Funds and Programmes, except UNDP,[4] are making use of outsourcing for substantive or programmatic purposes as well.

17. Figure 1 indicates that the Operational Funds and Programmes, as a whole, make more use of outsourcing for administrative/support-type services than do the Specialized Agencies and IAEA. In 1995, ten services were outsourced by all of the Operational Funds and Programmes whereas only two services were outsourced by all of the Specialized Agencies.

Figure 1

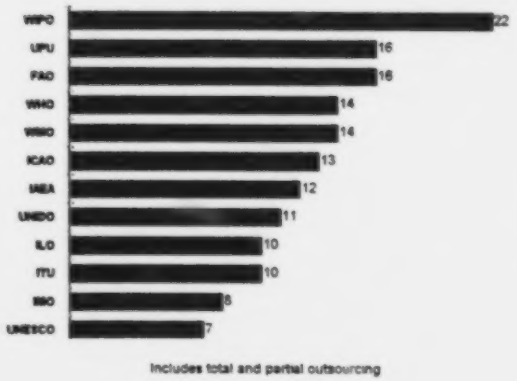
ADMINISTRATIVE/SUPPORT-TYPE SERVICES OUTSOURCED BY OPERATIONAL FUNDS AND PROGRAMMES AND BY SPECIALIZED AGENCIES AND IAEA IN 1995



18. Among the Specialized Agencies and IAEA, the extent of the use of outsourcing for administrative/support-type services appears quite varied. WIPO outsourced for all 22 of the services included in the annexed table. FAO and UPU were next, each with 16 outsourced services. UNESCO was at the other extreme with 7 services outsourced. However, despite WIPO and UNESCO being at the extremes, Figure 2 suggests there is no general relationship between the size of organizations and their use of outsourcing.

Figure 2

NUMBER OF ADMINISTRATIVE/ SUPPORT-TYPE SERVICES OUTSOURCED BY SPECIALIZED AGENCIES AND IAEA IN 1995



19. As was true for administrative/ support-type services, the Operational Funds and Programmes also used outsourcing for substantive activities more than did the Specialized agencies and IAEA (see top line of Section 6 in the annexed table). Only one (UNDP[5]) did not report outsourcing of any substantive activity compared to five of the Specialized Agencies. (WMO did not have the information available).

20. The substantive services which organizations of the United Nations system outsourced entirely or almost entirely are indicated in Table 1. This Table shows the broad range of substantive services that were outsourced in 1995.

Table 1

SUBSTANTIVE SERVICES OUTSOURCED AT 90-100 PERCENT BY OPERATIONAL FUNDS AND PROGRAMMES AND SPECIALIZED AGENCIES AND IAEA IN 1995

MAJOR SUBSTANTIVE ACTIVITIES OUTSOURCED AT 90-100 PERCENT	
PROGRAMMES	
UNICEF (HQ)	Market research and development
	Product development
UNFPA	Family planning
	Formulation and evaluations of population policies
	Data collection and analysis
	Population dynamics
WFP	Management reviews
AGENCIES	
IAEA	Expert advice on spent fuel storage
	Sample analysis
UPU	Development of the international postal system software
WIPO	Patent cooperation
	Madrid International Marks System

D. Lack of policy and institutional infrastructure

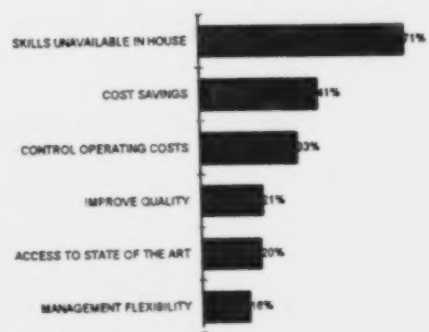
21. Despite the longstanding and widespread, albeit limited, use of outsourcing in the United Nations system, no organization had an explicit policy on the use of outsourcing when preparation of this report was begun. However, ITU and UNESCO were in the process of developing such a policy at that time. The ITU Council in 1996 approved in principle a policy on outsourcing that was confirmed by the Council in 1997.[6]

22. The United Nations and UNHCR each have internal documents directly addressing the practice of outsourcing.[7] However, rather than being statements establishing a policy and indicating the basic issues to be addressed in implementing the policy, these documents are more in the nature of detailed administrative instructions to be followed for procuring services from corporate contractors when the policy decision to outsource has been taken. The OIOS report (paras. 11-12) confirmed the lack of policy and guidelines for the United Nations.

23. The lack of explicit policy statements, except now for ITU, can result in the use of outsourcing in a relatively reactive and passive manner within the United Nations system.[8] This is consistent with the responses of the Specialized Agencies and IAEA and the Operational Funds and Programmes when asked to indicate deciding factors (more than one was possible) for each of their outsourcing contracts costing more than $100,000. As indicated in Figure 3, the leading deciding factor by a large margin for the System as a whole was "skills unavailable in-house," followed by "cost savings." Were there a more proactive approach to taking advantage of the challenge of outsourcing, consistent with the existence of explicit policy statements on this practice, one would have expected a higher ranking for factors such as "management flexibility," "access to state of the art," and "improve quality."

Figure 3

MAJOR OUTSOURCING CONTRACTS OF AGENCIES AND PROGRAMMES BY DECIDING FACTORS, IN 1995



Percentages do not add to 100 since organizations could identify more than one "deciding factor" for each major contract.

24. However, while these observations are valid for the System as a whole, there are notable exceptions for specific organizations. For example, "access to state of the art" and "improve quality" were deciding factors for all major UNDP outsourcing contracts, whereas "skills unavailable in house" was not reported as a deciding factor for any. For all major UPU and

IMO outsourcing contracts, "improve quality" and "management flexibility" were among the deciding factors, and "access to state of the art" was also for two-thirds of UPU's major outsourcing contracts. For FAO, although "cost savings" was the leading deciding factor, "management flexibility" was a deciding factor for two-thirds of its major outsourcing contracts and "access to state of the art" was a deciding factor for more than half of its contracts. These exceptions may indicate a more proactive approach to the use of outsourcing by some organizations.

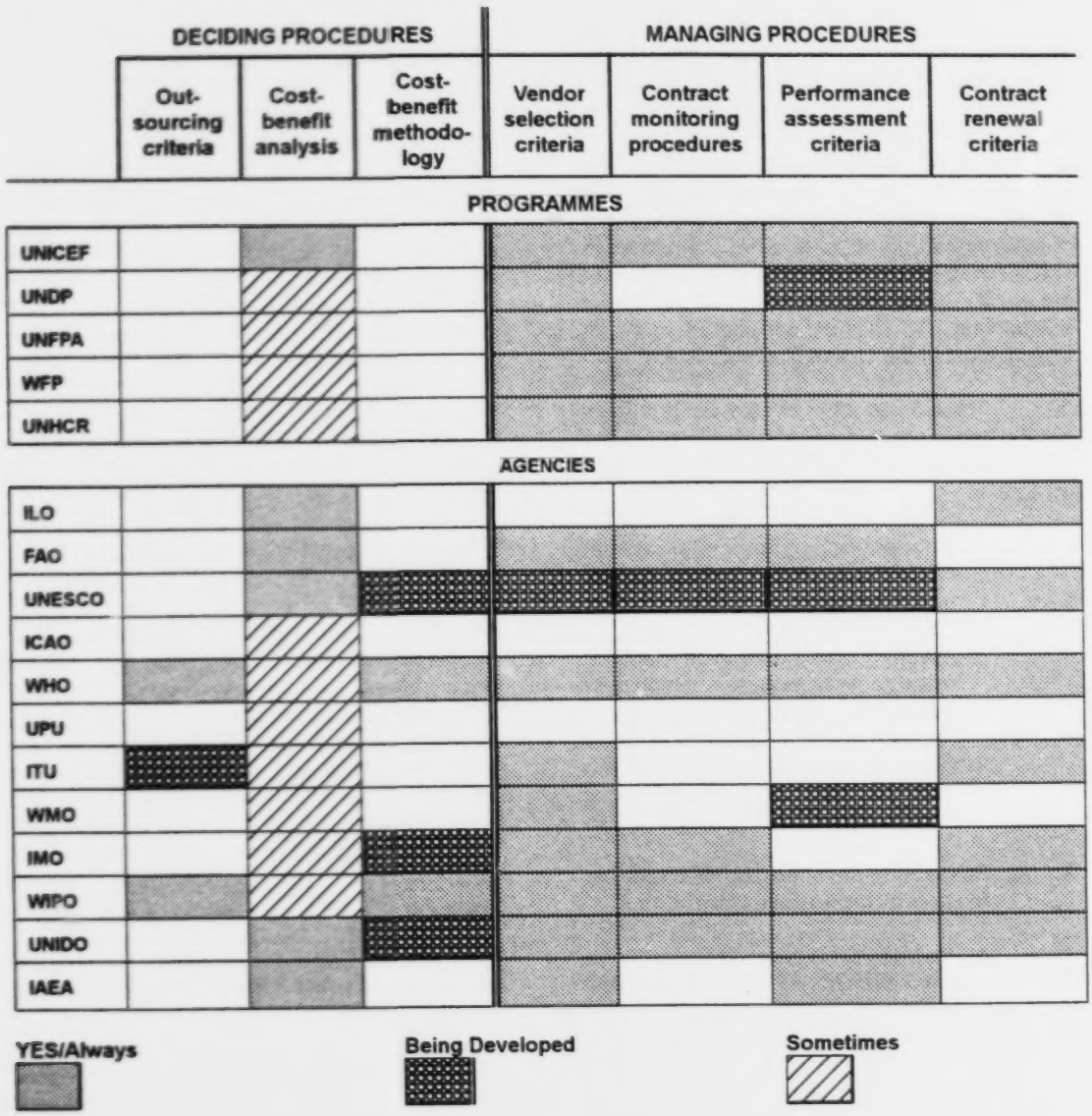
25. In order to get an indication of the extent to which organizations of the System have institutional infrastructure and/or established procedures for the use of outsourcing, the JIU questionnaire asked the organizations if they had or used seven specific kinds of procedures. Table 2 illustrates the comparative use of what could be considered, on the one hand, procedures related to **deciding** on the use of outsourcing; and, on the other, procedures related to **managing** outsourcing contracts.

26. Table 2 indicates that WIPO and WHO stand out in this regard. They both reported having six of the procedures, and "usually" or "always" using the seventh (cost-benefit analysis prior to deciding to outsource). (In regard to using cost-benefit analysis prior to deciding to outsource, it should be noted that six of the other organizations reported always doing so, and all of the rest reported they do so at least sometimes.)

27. For the System as a whole, especially for the Operational Funds and Programmes, there appears to be more emphasis on procedures for "managing" than for "deciding". This is consistent with the use of outsourcing by the organizations of the System as a whole in an ad hoc and pragmatic manner without an explicit policy on the use of outsourcing.

Table 2

THE USE OF "DECIDING" AND "MANAGING" PROCEDURES FOR OUTSOURCING BY OPERATIONAL FUNDS AND PROGRAMMES AND SPECIALIZED AGENCIES AND IAEA IN 1995



E. Conclusion

28. While outsourcing is a longstanding and widespread practice throughout the organizations of the United Nations system, it still is managed in most organizations in a rather ad hoc and reactive manner without being guided by an overall policy or strategic concept. As seen in the following chapters, this ad hoc approach without a policy can add to the problems of using outsourcing and reduces the ability to take full advantage of the challenge of outsourcing.

III. ADDRESSING POTENTIAL PROBLEMS OF OUTSOURCING

29. Concerns exist among Secretariat officials, staff members, and delegates of Member States regarding serious problems that could result from the use of outsourcing in the United Nations system. These are legitimate concerns that must be considered. Identifying the nature of such problems and ways in which they could be addressed is one purpose to be served by this report. Openly addressing the possibility of such problems, and being satisfied that measures can be taken to avoid them in each specific instance, is a critically important part of the process to be followed whenever the use of outsourcing is being considered by an organization of the United Nations system.

30. Three broad areas of potential problems exist in regard to the use of outsourcing in the United Nations system. These three problem areas are:

- Respecting the international character of United Nations system organizations;
- Assuring appropriate control and/ or management over the conduct of outsourced activities; and
- Avoiding negative impact on the affected staff of United Nations system organizations.

A. Respecting the international character of United Nations organizations

31. At the heart of organizations of the United Nations system is their international character. There is a concern among Member States that the use of outsourcing could compromise the international character of United Nations system organizations. To the extent that this is true, the very nature of the United Nations system would be put at risk.

32. The international character of the United Nations system organizations derives from the fact that they are composed of sovereign Member States. Article 2.1 of the United Nations Charter proclaims that, "The Organization is based on the principle of the sovereign equality of all its Members." This is a guiding principle which also is either similarly expressed, or strongly implied, in the basic documents or constitutions of the other organizations of the System. This principle leads to an important sense among the Member States of collective participation and shared responsibility on an equal basis for all decisions and actions of the organizations. Protecting the international character of United Nations system organizations is an important concern of Member States. For this reason, special care must be taken to avoid having the use of outsourcing – or any other measure intended to improve efficiency and economy in operations of the organizations – threaten to compromise the international character of United Nations system organizations. Even just a perception that such is the case would be damaging for the organizations.

33. Outsourcing can be seen as a potential threat to the international character of United Nations system organizations in two major ways. One relates to the displacement of the role of international civil servants in implementing activities and functions of the organizations as a result of outsourcing; and the other relates to the resulting possibility of significantly distorting in favour of host countries the geographic sharing of contracts.

34. Key to maintaining the international character of the United Nations system organizations is the independence and international outlook of the international civil servants responsible for implementing the activities and functions of the organizations, as determined by the appropriate legislative organs on behalf of the Member States. In accord with the United Nations Charter and comparable documents of the other organizations, the basic requirements for international civil servants are described most fully in a 1954 report of the International Civil Service Advisory Board that was prepared at the request of the ACC[9]. These requirements are, inter alia:

- an "international outlook" based on loyalty to the objectives and purposes of the international organizations, and the willingness of international civil servants to support the decisions of the international organizations regardless of their personal views; and
- independence in the sense of remaining independent of any authority outside of the organizations being served by the international civil servants.

35. Outsourcing, by definition, involves vesting some specified degree of responsibility for conducting particular organization activities and functions in individuals outside of the organizations. Being outside of the organizations means, of course, these individuals are not personally subject to provisions of the United Nations Charter or other comparable instruments, nor to Staff Rules and Regulations, and thus they have no inherent loyalty or accountability to any United Nations organization. In particular, they are not required to have the international outlook and independence of international civil servants. For this reason, there clearly must be certain kinds of core activities and functions that simply cannot be outsourced without significantly compromising the international character of United Nations system organizations. However, it would appear that there are, also, large ranges of activities and functions that can be outsourced, provided they are properly controlled and managed by internationally accountable officials.

36. Thus a first requirement for the use of outsourcing is to have a well founded basis for determining what kinds of activities and functions can be outsourced -- provided significant gains can be achieved by doing so -- and what kinds cannot be outsourced for important policy reasons, no matter what other gains may be possible by doing so. One obvious possibility is to exclude core activities and services from being outsourced, as is being given explicit consideration (at least internally) by some organizations, e.g., UNHCR and UPU. In any event, this appears to be the policy being followed in practice by United Nations system organizations, even if they do not have an official and documented policy on outsourcing.

37. Using core activities and services as the criterion for determining what can and cannot be outsourced has an inherent logic. Allowing core activities and services of an organization to be implemented by individuals who have no direct loyalty and accountability to the organization would call into question the need for maintaining the organization at all. However, while establishing in general terms the criterion that core activities and services are not outsourceable is valid and useful, it still must be applied in specific instances for each organization in order for it to become operationally meaningful. This requires careful consultations between Secretariats and the Member States of each organization, in the context of the historical experience of that organization and the substantive subject matter covered by its mandate.

38. The concern that outsourcing undermines the international character of an organization by significantly distorting in favour of host countries the geographical sharing of contracts is a difficult problem. While contractors from host countries may have an inevitable advantage in seeking contracts for outsourced activities and services, this advantage could and should be mitigated to a great extent by a much more rigorous application of existing requirements for assuring free competition through full access to open bidding in the letting of contracts. The recent OIOS report on a review of outsourcing practices indicates that in the United Nations the requirements for open bidding often have not been observed nearly as well as they should be.[10] Furthermore, thanks to information technology, a great deal of work that previously had to be done locally now can be done by contractors around the world. Ultimately, of course, while every effort must be made to assure openness of opportunity to bid on outsourcing contracts, it would be inequitable and damaging to the interests of United Nations system organizations to set Member State quotas for the awarding of outsourcing contracts that are incompatible with the results of fair competition.

B. Management and control aspects of outsourcing

39. Another important area of concern about the use of outsourcing relates to the danger of an organization losing its ability to maintain adequate management and control over the activities that have been outsourced.[11] In addressing this area of concern, it should be remembered that the performance of activities in-house does not in itself, of course, assure maintaining appropriate management and control. In fact, one advantage of actively considering the option of outsourcing is that it requires explicit attention on this issue that too often is not sufficiently addressed for activities performed in-house.

40. An overriding concern in this area is that an organization could become captive to the contractor providing the service. This could result from the organization becoming dependent on the contractor as it loses its in-house expertise and institutional memory regarding the performance of the outsourced activity. This dependency, in turn, could lead to the organization losing its ability to control costs and/or maintain quality standards regarding the

outsourced activity. It is possible that a contractor, after having won a contract on the basis of low bids, would take advantage of the organization's dependency to raise prices and/or lower the quality of performance.

41. Awareness of this possible problem and the need for measures to avoid becoming captive to the contractors often was expressed in interviews with officials of different organizations. For example, this concern was expressed explicitly in interviews with officials of, inter alia, UNDP, United Nations, ICAO, the Inter-American Development Bank, EU and ESA. They clearly understood the basic rule in the business world that, while a company or institution transfers to outside providers the execution of functions and activities formerly performed by its personnel, at the same time it must retain in-house sufficient professional capacity to monitor and control implementation of outsourcing contracts.[12] Alternatively to maintaining sufficient professional capacity in-house, if this simply is not practical, organizations could have access to expert advisory services to assist for this purpose.

42. Another major concern in this area is that the use of outsourcing could reduce an organization's flexibility and responsiveness to changing requirements, such as a sudden increase in workload, for example in translation services.[13] For such situations, provisions to assure sufficient flexibility to respond to changing requirements could and should be built into outsourcing contracts. Indeed, rather than reducing an organization's flexibility and responsiveness, outsourcing could serve as an important means to increase flexibility and responsiveness. Outsourcing would allow an organization to shift its resources as changing times may require rather than have them pre-committed to staff and/or equipment that no longer is needed.

43. Exposing an organization to the risk of strikes and other problems of industrial relations is another concern often expressed about the use of outsourcing. While this is a possible problem, it is one that can and should be dealt with by appropriate compensation provisions built into the outsourcing contracts. Such provisions would shift the risk and cost of industrial relations problems to the contractor rather than the organization.

44. Finally, there is the concern that the use of outsourcing makes an organization vulnerable to instances of bribery, kickbacks and other related forms of corruption. This is not a problem created by the use of outsourcing since, even in the absence of outsourcing, any organization must have adequate internal controls and oversight mechanisms to avoid such problems. The use of outsourcing, in fact, reduces the number of staff and situations requiring oversight and focuses attention on those instances where oversight is most required.

45. It would be unwarranted to try in this report to provide a detailed manual on how to deal with all the risks of losing management and control over outsourced activities that an organization could face. They clearly must be addressed by senior management, in relation to each organization's operating practices and specific mandates, if Member States are to have the confidence they need in the use of outsourcing. An obvious starting point would be a good understanding of the risks and, in general terms, careful observance of good management practices.

46. Central in dealing with problems such as these is assuring that all concerned -- the organization's senior management, the Member States, and the contractors providing the outsourced services -- fully understand that the officials of the organization ultimately remain accountable for the services or activities that have been outsourced. In the words of the World Bank's policy statement on outsourcing:

> Crucial to a successful outsourced arrangement is full recognition that outsourcing does not relieve the Bank's manager of responsibility. That manager remains fully accountable for performance, the only difference being that he/she deals with a contractor instead of individual staff.[14]

C. Impact on staff

47. The possible negative impact on staff is another very difficult area of concern to address in regard to the use of outsourcing by United Nations system organizations. While this understandably is a matter of very great concern to staff members of the Secretariats, it should be noted that their commitment to the ideals and purposes of the United Nations mean they also in large measure share the other concerns already discussed that do not so directly affect their personal welfare. The concerns of staff members, regarding both their own welfare and the interests of the United Nations system overall, are expressed in a thoughtful position paper on

outsourcing presented by the New York Staff Union at the Staff-Management Consultative Committee in August 1996. It should be noted that this position paper explicitly indicates the staff recognize the need for outsourcing provided certain reasonable conditions are met.[15] The concern about possible impact on staff is not restricted just to Secretariat staff members. There are Member States who feel an obligation toward protecting the well deserved interests of long serving Secretariat staff members. Within this area of concern, the following are the key problems to be addressed.

48. Loss of jobs. The need for achieving cost reductions often has been one of the driving forces behind outsourcing decisions. Since personnel expenditures are such a large share of total expenditures in the United Nations system, an overriding concern in this area is the possible loss of staff positions as a result of outsourcing. The personal hardship resulting from the possible loss of jobs always is a most difficult problem in any potential outsourcing situation. It is much more difficult for affected staff of United Nations system organizations because so many, in addition to losing their jobs, would not have the right to accept positions in the same locale, or even same country, outside of the United Nations system organizations.

49. It would be unrealistic to say the use of outsourcing never results in personnel being left without appropriate employment within their organization. Clearly, however, every effort should be made to avoid such a result. Individuals and their families should not have to experience great personal hardship as a result of a decision to outsource a specific service or activity. Such individuals presumably accepted their positions in an organization of the United Nations system, and made the personal commitments and investments required to take those positions, on the basis of reasonable assumptions about their expected tenure.

50. It could be that, due to poor management decisions long ago, the activities to be outsourced never should have been performed in-house and, thus, the positions now at risk never should have existed. Alternatively, there may have been technological or other developments related to the work at issue that now result in a decision to outsource. Individuals should not be penalized for past mistakes of management that now are being corrected, or for technological and/or other developments related to their work beyond their control. For these reasons, as recommended in the Executive Summary (**Recommendation 5**), the Executive Heads of participating organizations should make every effort to avoid negative impact on staff affected by decisions to outsource specific activities, e.g., by using attrition to accomplish the transition, or training in alternative areas of work. For situations when negative impact on staff is unavoidable, the Executive Heads should prepare measures, for approval at the appropriate level, which would assure appropriate protection for those affected.

51. In addition to the legal rights and protection available to staff members under Staff Rules and Regulations, there also is a moral and ethical obligation by management and the Member States to avoid as much as possible imposing personal hardship on staff members and their families as a result of decisions to outsource. More than just strict adherence to existing rules and regulations is required; an extra effort based on a real commitment to protecting legitimate interests of staff must be expected. In this regard, the United Nations Assistant Secretary-General responsible for the Office of Conference and Support Services gave to staff members in September 1996 the assurance that in his organization "nobody had been separated because of outsourcing."[16] It is reassuring to see that in 1995 for the organizations covered in the table annexed to this report, only one staff contract (in ILO) had been terminated due to outsourcing.

52. Regarding the possible problem of jobs being lost due to outsourcing, one option would be for an organization to encourage the use of ex-staff members as potential vendors/providers for the organization's outsourcing contracts, subject to the ex-staff members satisfying the same criteria as other contract bidders. This could have many advantages for the organization, including the retention of skills and experience which would be difficult to match in the outside labour market. The relatively high cost of separating regular staff would make it worthwhile to explore opportunities for mutually beneficial arrangements. For example, the organization could act as a venture partner for a year or two while the outsourced business was being established in exchange for staff members agreeing to waive their separation benefits. The experience with this option of other organizations (including those in the private sector) should be examined to see if it could be employed usefully by the United Nations system organizations.

53. Heavier workload. Another concern in this area is that outsourcing can result in a heavier workload for the reduced staff remaining with the organization. For example, the previously mentioned position paper on outsourcing issues of the New York Staff Union noted an instance of this happening in a division of the Secretariat that had reduced maintenance staff to take advantage of temporarily lower outside contractual costs.[17] As the costs for the contractor rose – a common tendency which must be guarded against in the negotiation of an outsourcing contract – the contractual work became increasingly shoddy. The result was that the fewer in-house staff remaining had to make up for this shoddy work which led to their workload increasing so significantly that the day-to-day maintenance for the Secretariat deteriorated.

54. Since the purpose of outsourcing is to transfer to an external contractor the performance of specified activities or services, any resulting increase in workload for the remaining staff – as happened in the situation described by the New York Staff Union – must be the result of a poor outsourcing contract. It could be that, for example, an outsourcing contract fails to specify adequately what is expected from the contractor, with sufficient compensation clauses to assure timely performance by the contractor, or it is based on a misconception of what is actually required in regard to the outsourced activity or service. The importance of assuring good and comprehensive contracts, and of devoting full and qualified attention to their implementation, cannot be over emphasized. Thus, while the problem of outsourcing leading to a heavier workload for remaining in-house staff is a serious one that must be avoided, it is a problem to be addressed in negotiating and managing outsourcing contracts rather than one inherent in the use of outsourcing itself.

55. Damaging the image of the international civil service. There is a concern that the image of the international civil service can be, and has been, damaged as a result of wrongful acts committed by external contract personnel. For example, the New York Staff Union position paper on outsourcing notes in this regard cases of sexual harassment, inadequate pay, and criminal acts by contractors performing work at the United Nations. Apparently, there is the feeling that the public is unable to distinguish between international civil service staff and external contract personnel with the result that any wrongful acts committed by personnel doing work for United Nations system organizations are attributed to members of the international civil service.

56. For preparation of this report, this issue was discussed with representatives of the New York Staff Union. One example of this kind of concern mentioned in these discussions relates to the risks associated with the outsourcing of security services by United Nations system organizations, which is happening in a number of different locations. In these discussions, the point was made that in New York City various security services are employing persons who are on parole. Another instance noted was an attempt in Nairobi to use outsourcing in conference services for personal profit. There also was the case documented in a report by the Office of Internal Oversight Services regarding the United Nations gift centre in which the Organization was unable to replace a manager responsible for mismanagement of the gift centre, an activity which had been outsourced.[18] Having this sort of people associated with work being done for United Nations system organizations inevitably risks damaging the image of the international civil service.

57. This sort of problem clearly has to be avoided, but the issue again relates to negotiating and managing the outsourcing contract rather than the basic practice of outsourcing itself. Outsourcing contracts must contain provisions establishing basic safeguards and giving the organizations appropriate controls sufficient to prevent or correct quickly any situations damaging to the United Nations organization involved and, thereby, to the image of the international civil service. Although an activity or service might be outsourced, as indicated previously, the organization management still remains ultimately responsible and accountable for the performance of that service or activity and must have the rights under the contract to enforce that responsibility. They also must have the in-house determination and capacity to implement those rights. Some situations could warrant that the outsourcing contractor be obligated to make bank deposits that would serve as a guarantee to compensate, and even pay an added penalty, for possible losses and damages caused by the contractor's employees.

58. Deny or diminish training and retraining opportunities of staff. To the extent that services or activities are outsourced to external contractors, there would be less need for general training of in-house staff regarding those services

or activities. Thus, there is the concern that outsourcing could lead to less training opportunities for in-house staff. However, in order to help to avoid negative impact on staff affected by outsourcing decisions, management should where possible provide appropriate training opportunities to allow such staff the possibility of transferring to another area of work within the organization where there is need for more staff. This means that correctly pursuing a policy of increased consideration of outsourcing should lead to more rather than less training opportunities for potentially affected staff.

59. Furthermore, there would remain the need for retaining in-house, as discussed above, sufficient expertise to manage and supervise the outsourcing contract(s) for the specific activities or services at issue. As one United Nations official noted, the staff would need to do "less rowing and more steering." This means that outsourcing could require a higher level of training regarding those specific services or activities for at least a few in-house staff. One example of the kind of training program that would be especially appropriate is the training in contract administration now being pursued by UNOPS and UNDP.[19] The International Training Centre for the International Labour Organization (Turin Centre) has training workshops in procurement management, in World Bank procurement guidelines, and public procurement for development projects, which can be useful to staff who become heavily involved in managing and monitoring procurement contracts.

60. Demoralization of staff at large. A very dangerous problem that could develop in an organization, as it goes through a transition to more active consideration of the use of outsourcing, is the demoralization of staff at large. This can have a crippling and long lasting effect on productivity extending well beyond the services or activities being outsourced. However, this problem is more a matter of how the management of an organization handles the issue of outsourcing rather than one inherent in outsourcing itself.

61. Key to avoiding this problem is management being fully open and transparent with staff about plans for outsourcing and the likely impact on staff, both good and bad, as early as possible. As long as there are just rumours about the possibility of outsourcing, many more staff than those most likely to be affected will feel threatened and the perceived threats often will be greatly exaggerated. Were this to persist for long in an organization, it would have a very damaging effect on morale. For those to be affected, it is especially important that they be as well informed as possible, and as early as possible, so that they can make plans to take care of themselves and so that their fears are not exaggerated. A well managed transition to outsourcing should allow affected staff to discover benefits for themselves, such as new career opportunities, instead of just risks and problems. In any event, the morale of other staff would be improved if they can see that the affected staff are being treated with respect and consideration in a fully open manner.

62. In fact, outsourcing can have important positive aspects for staff which should lead to improved morale. The proper introduction of outsourcing should bring in healthy competition, new and updated technology, and state-of-the-art working practices, which should have a stimulating effect for staff. Especially of benefit to the staff is the fact that outsourcing can lead to greatly enhanced interaction with outside providers of services which creates for staff more opportunities for access to modern technology and new management practices. It also provides them with opportunities for updating their professional skills and thereby giving them the possibility for increased job mobility. They thus could avoid feeling stranded for the remainder of their careers in their current jobs.

63. Overall, in dealing with the impact on staff of outsourcing, the importance of management maintaining close and frequent consultations with staff is clear. It is critically important to dispel worries, concerns and misunderstandings as much as possible. Also, close consultations with staff can assist greatly in making the decisions on outsourcing and in monitoring those services and activities that have been outsourced.

IV. THE NEED FOR A POLICY ON OUTSOURCING

64. If outsourcing has been used by the organizations of the United Nations system since even before the United Nations was founded, why is there a need for a policy on outsourcing? Following a practice without the benefit of being guided by a policy can result in unnecessary risks and problems for the organization. In addition, having a policy would better assure taking advantage of the significant benefits that can be gained by outsourcing. This chapter discusses these matters and concludes by describing the basic components of a policy on outsourcing.

A. Risks and problems without a policy

65. The overview of outsourcing in the organizations of the United Nations system in Chapter II described the existing lack of an adequate institutional infrastructure for the management of outsourcing. In the absence of an explicit policy on outsourcing, there is no real basis on which to establish the necessary institutional infrastructure. Doing so would involve, rather than adding staff, establishing appropriate generalized guidelines, standards, and procedures to apply in handling outsourcing issues and, even more important, assuring that the staff concerned have experience and expertise in this area. Some of the more significant problems that can result from not having a policy follow.

66. Lack of transparency. A very basic need for a policy is to assure more appropriate transparency for a significant practice that is being implemented increasingly throughout the system without explicit recognition. More transparency would serve to make the practice, and what it is supposed to achieve, more clear to Member States and staff. In turn, this would better assure proper accountability for those implementing the practice, since an explicit policy would provide an informed basis on which Member States could judge how well it is being implemented.

67. Need to re-invent each time. The OIOS report on outsourcing expresses the view that "the lack of policy guidelines has contributed to inconsistent outsourcing approaches throughout the Organization", with "a critical impact on both costs and the quality of services provided."[20] With no existing infrastructure explicitly for outsourcing on which to draw, each potential instance of outsourcing requires the organization to "re-invent the wheel", i.e., develop standards and procedures for making the decision to outsource, for formulating the contract, for requesting and deciding on bidders for the contract, and for managing implementation of the contract, including evaluation of the product received and deciding on rebidding or renewal of the contract. In addition to wasting time and effort, this foregoes an opportunity to build up a reservoir of lessons learned and thereby risks repetition of past mistakes.

68. Different environments for outsourcing. The fact that the organizations of the United Nations system operate world-wide means that they operate in very different environments, with different risks and problems for which appropriate precautions are required. Although the use of outsourcing is highly location-sensitive, having an established policy on the matter would help to set standards and guidelines for better assuring an appropriate consistency in addressing these different environments.

69. Reduced basis for coordinating and sharing of experiences with other organizations. The final chapter of this report includes discussion of the benefits to be gained by coordinating and sharing experiences with other organizations in regard to outsourcing. However, without a defined policy and identified institutional infrastructure, it would be most difficult to specify exactly what needs to be coordinated or who should seek such coordination.

70. Unease/distrust among staff and Member States. The issue of outsourcing can be controversial among both staff and Member States because of the potential problems of outsourcing, as discussed in Chapter II. The level of controversy, and resulting unease or distrust among staff and Member States, would be at least partly the result of uncertainty about the issue. The existence of an explicit policy on the use of outsourcing would reduce this uncertainty and thereby help to defuse unnecessary controversy. While specific proposals for outsourcing still could be quite controversial, the controversy would be more appropriately focused on real concerns. Thus there would be more chance of avoiding a pervading unease and distrust about the issue that can be damaging to the productivity of staff and the general spirit of cooperation among Member States toward achieving the goals of the organization.

71. Increased likelihood and difficulty of potential problems of outsourcing. The potential problems of outsourcing were identified in Chapter III. As indicated, these significant problems can and must be addressed. However, the difficulty of doing so is increased by the absence of an explicit policy. The current ad hoc approach to outsourcing means there are no fixed and agreed criteria to apply in identifying activities and services appropriate for outsourcing that would assist in assuring respect for the international character of the organizations; experienced staff with expertise and institutional memory are not available to help overcome the problems of maintaining appropriate management and control over outsourced activities and services; and there are no standards and procedures ready to assist in protecting staff from the possible negative impact on them of outsourcing.

72. Unfair exposure of staff to risk. It is unfair to put staff in situations where they have to take actions without the benefit of an explicit policy to guide them. In view of the controversial nature of outsourcing, there is all the more need for a policy to give staff the coverage they deserve.

73. Reactive approach to outsourcing. Not having an explicit policy on the use of outsourcing could result in its use in a reactive or passive mode when forced or suggested by other circumstances. As discussed below, this approach results in failing to take full advantage of the benefits of outsourcing.

B. Benefits of having a policy on outsourcing

74. In addition to helping to avoid the problems and risks of not being guided by a policy, making use of outsourcing in a planned and intentional manner would better assure taking advantage of the benefits to be gained. This means the current passive and reactive approach to the use of outsourcing, that too often is the pattern now in United Nations system organizations, must be replaced by a pro-active and positive approach. In other words, the organizations of the United Nations system need an explicit policy to welcome the challenge of outsourcing.

75. Catalyst for continuing improvement. The organizations of the United Nations system are facing now, as they have periodically in the past, strong calls for reform. Reform by its nature tends to be thought of in terms of a one-time, albeit often large-scale, improvement. Reforms with an ongoing effect have obvious advantage. A policy to welcome the challenge of outsourcing could be an important way to institute an ongoing reform process.

76. Continuing reform and improvement requires building into the management culture of an organization incentives for that purpose. A policy of welcoming the challenge of outsourcing would accomplish this by building into an organization a concern for cost-effectiveness and an openness to innovation. Because of the discipline of the marketplace, the competition that results from the challenge of outsourcing would encourage both management and staff to search for means to achieve effectiveness with reduced cost which, in turn, would lead to a search for innovation. In this way, a documented policy of welcoming the challenge of outsourcing would serve as an ongoing agent or catalyst for positive change in the organizations of the United Nations system.

77. Focus on needs, alternatives, and levels of quality. Having to face a market situation forces concentration on determining whether a specific activity or service is really needed; the identification of different alternatives for performing it, and their cost implications; and the level of quality for the activity or service that in fact is required. As suggested in an Economic Intelligence Unit (EIU) study, "It's one thing to ask an in-house function to perform a task, seemingly at no cost; it's quite another to ask a provider who will charge."[21]

78. User orientation. In terms of effectiveness, active consideration of the use of outsourcing also has the advantage of leading to more focus on user or customer needs. Since in-house functions tend to be monopolies, those responsible too often are more concerned about maintaining their own dominance rather then fulfilling the needs of their users. Being forced to compete with external providers often rapidly leads them to make improvements in the quality, delivery and costs for their service or activity.[22] The continuing presence of competition means the increased orientation toward user needs also will continue.

79. Keeping pace with best practices. Organizations can become too inwardly focused and stagnant when functions are performed without question in-house. An active commitment to considering the possibility of outsourcing helps to overcome this limiting tendency. The prospect

of competition encourages both management and staff continually to be open to and seek innovation. This outlook by both management and staff is required in order for an organization to become familiar with best practices and take advantage of them.

80. Readiness for change. Related to this, the use of outsourcing can be an important means for allowing flexibility to cope with change and gain access to the specific expertise necessary for meeting changed circumstances or new requirements for growth. Outsourcing means an organization is not burdened with maintaining expensive expertise established to meet yesterday's needs; rather, the organization can redirect its resources to assure the expertise required for today.[23]

C. Components of a policy on outsourcing

81. At this stage, it is important to remember a central point made in the introduction of this report. In calling for an explicit policy on the use of outsourcing, it must be clear that there is absolutely no intention to pre-judge whether or not any specific activity or service should be outsourced. The benefits to be gained are not dependent on activities and services necessarily being outsourced. Rather, the key point is that the benefits to be gained would derive from taking advantage of the competition that results when active consideration is given to outsourcing as an option for performing a specific activity or service.

82. The parameters of competition would depend on the nature of the activity or service concerned and the interests of the organization in considering outsourcing for it. Cost would be an important factor to consider but certainly not the only factor, and not necessarily the most important factor.[24] Other factors to consider in the competition could include the availability of necessary skills, the ability to assure control over costs, improvements in the quality of the product, access to state of the art technologies and expertise, and flexibility to meet changed situations.

83. In any given instance, the in-house staff could win the competition and continue to perform the service or activity. Furthermore, management could decide to test the possibility of using new or re-deployed in-house staff to replace an external provider when an outsourcing contract previously won by an external provider is up for renewal. In such cases, the in-house staff would have to demonstrate that they have a capacity for performing the service or activity superior to that of external providers, possibly because they have improved their productivity so as to make their capacity superior to that of competing external providers. Such productivity improvements often result in cost savings of as much as 30 percent for national government services.[25] Whatever the result, whether the competition is won by the in-house staff or an external provider or some combination of the two, the organization gains by more cost-effective performance because competition has placed priority on finding the most efficient means of performance.

84. In this regard, the World Bank policy document on outsourcing suggests the use of the word, "sourcing," which they define "as a 'neutral' term that encompasses all sources for delivery of products and services, including in-house, outsourced and all other intermediate arrangements."[26] One of the attributes of their suggested outsourcing policy is that it considers "outsourcing" as one of a number of options in the broader context of "sourcing."[27] This helps to make the central point that the key is not necessarily to outsource, but to make use of the competition that results from the challenge of outsourcing.

85. As called for in **Recommendation 1** in the Executive Summary, the key components of a policy on outsourcing -- to be prepared by each of the Executive Heads, for approval at the appropriate level according to the working methods of each organization -- would be:

(1) a statement committing the organization to the use of the challenge of outsourcing as a means for achieving improved cost-effectiveness in both their administrative/support-type and substantive operations;

(2) criteria for determining what current and planned activities should be considered for outsourcing; and

(3) measures to assure that outsourcing will not compromise the international character of the organization.

86. A possible addition to this policy would be provisions to give a defined degree of preferential treatment for bidders from the least developed countries, in Africa especially, in the award of outsourcing contracts. The idea of

preferential treatment for less advantaged countries has been used by UNDP, UNHCR and UNFPA in their procurement practices. They allow a specified margin of increased prices for services provided and goods produced by locals in support of the execution of projects in developing countries.

87. Taking into account the United Nations System-Wide Special Initiative on Africa, United Nations system organizations might want to include in their policies on outsourcing acceptance of bids on contracts from local providers (i.e., companies employing mainly African labour or owned by Africans) that exceed within a specified range (e.g., 10 - 15 percent) lowest bids from others. There should be, however, a proviso that quality of goods and reliability of services must comply fully with the organizations' standards. Also, appropriate changes may be required in an organization's financial regulations and rules, e.g., financial rule 110.21 of the Financial Regulations and Rules of the United Nations. The objective of this exception would be -- however small and symbolic -- a message that the United Nations system organizations are supportive of measures aimed at the economic recovery of Africa.

88. For implementation of this policy, again as indicated in the Executive Summary (**Recommendation 2**),the Executive Heads of participating organizations should prepare, for approval at the appropriate level, administrative rules and/or procedures that would, inter alia:

(1) guide implementation of the criteria approved for determining whether or not an activity or service should be outsourced;

(2) assure that the organization maintains appropriate monitoring, evaluation and management control over outsourced activities; and

(3) improve cost-accounting practices in order to provide a better basis for deciding on the merits of outsourcing in specific instances.[28]

89. It goes without saying that fair and effective implementation of this policy requires full commitment to measures to assure free competition for all interested parties. There must be full information and access to unrestricted, open bidding on all contracts for providing goods and services.

90. In establishing policies and regulations on outsourcing, it would be most beneficial for the staff to play an important participatory role through active consultation in key stages of the exercise. They have much to offer on the basis of their experience and their active support for the policy would be important for assuring its success.

V. MAKING THE CHALLENGE OF OUTSOURCING WORK

91. Spelling out a policy and getting it duly approved is an achievement. Making it work is what counts. Making the challenge of outsourcing work will require special attention because of the controversy surrounding the issue. Four specific suggestions would better assure the success of this policy:

(1) The transition to implementation of the policy must be handled as quickly as possible and with as full communication as possible;

(2) A senior level "Facilitator" should be identified to assure follow through and well orchestrated implementation of the policy;

(3) The organizations of the System should develop and use mechanisms for coordinating and sharing experiences regarding their efforts in outsourcing; and

(4) There should be a scheduled review and evaluation of implementation of the policy three years after it has been approved.

A. Speedy transition with full communication

92. Managing the transition to implementation of a policy on the challenge of outsourcing is critically important for the policy's success. When managed poorly, not only is the success of the policy made unlikely, but serious and long-lasting damage to staff morale will result with obvious implications for organization productivity.

93. The above mentioned Economic Intelligence Unit (EIU) study on outsourcing notes that "Technical issues tend to receive the bulk of attention, but it is the human-resources issues that will largely dictate the success or failure of an outsourcing project."[29] This is an especially important point for organizations of the United Nations system since their predominant resource is people.

94. The same study cautions that, "It is important to keep in mind that the entire workforce will be watching management's treatment of fellow employees. It is imperative that company management treat all affected employees fairly and with integrity." It goes on to urge the critical importance of communication and the fact that all in the company "must have a clear understanding of why the particular function is to be outsourced and how that decision will affect the various employees."

95. In regard to how quickly and broadly an analysis of possible outsourcing should be communicated to staff, the study indicates there is some difference of opinion, although it suggests this should be determined by "the individual culture of each company." While some fear the negative consequences of too many people knowing too soon, others argue there is no way to keep such a possibility secret and it is better to be fully transparent in such a matter and make the announcement "right up front." The latter is the obvious choice for the United Nations system in view of the brief half-life of secrets in United Nations system organizations.

96. While a transition period is difficult and risky, one that is well executed can even result in higher morale for those remaining, provided they feel they have been handled with fairness. Presumably this is most likely to be accomplished in organizations that have an explicit policy on the use of outsourcing.

B. The role of a "Facilitator"

97. Outsourcing is widespread throughout the United Nations system, but no organization has an official with responsibility explicitly for overseeing and assisting in the use of outsourcing. Of course, without an explicit policy on outsourcing, there would be no basis for assigning such responsibilities to an official.

98. With approval of a policy on the use of outsourcing, as recommended in this report, assigning responsibility for overseeing implementation of this policy would assist greatly in successful use of the policy. In fact, there would be little prospect of taking full advantage of the policy without assigning such responsibilities to a senior official. Whether or not an official would have to spend full-time on this responsibility would depend on the organization, especially its size, and the nature of its use of outsourcing.

99. In assigning this responsibility to an official, however, it is important to avoid creating a "Czar" that would add just another layer of bureaucracy and possibly interfere with the work of operating units. It must be remembered always that outsourcing is a means to an end

and not an end in itself for an organization.

100. As indicated in the Executive Summary, **Recommendation 3**, the Executive Heads of participating organizations should prepare, for approval at the appropriate level, changes in the structure and/or operating procedures of their Secretariats to facilitate and encourage the best use of the challenge of outsourcing.

101. In developing proposals for such possible changes, serious consideration should be given to drawing from the excellent, time-tested example provided by a position that has been established in CERN. Dating as far back as 1989, CERN has followed a policy of concentrating its staff in what are now considered "core" activities and outsourcing other activities to specialist firms or organizations.[30] The position of Manager for Industrial Services was established to serve as what amounts to a "Facilitator" for outsourcing at CERN. The incumbent, who holds a very senior level position within the Secretariat and is a highly respected scientist, describes his role as that of persuading and encouraging those responsible for specific projects and activities to give the use of outsourcing in their areas serious consideration. He does this by such things as developing new ideas and ways to consider outsourcing, developing new ways to think about CERN functions and activities that outsourcing might make possible, assisting in making contacts with industry, and devising solutions to difficulties that might appear to block the use of outsourcing. He believes that the "service" he provides must be perceived by the managers of the user divisions as giving added value to their role and responsibilities.

102. In fact, his official mandate gives him authority well beyond that of just persuading and encouraging, e.g., authority to decide the type of work to be outsourced; to establish the desirability and form of a contract for services; and to define selection criteria for firms. In performing these responsibilities, he chairs an Industrial Services Committee that includes all User Divisions and representatives of the administrative services concerned. Probably most important, in terms of formal mandate, he has direct access to the Director of Administration -- outside of the normal lines of authority for the CERN Division Leaders upon whose cooperation his outsourcing efforts are dependent.

103. However, if the Manager of Industrial Services ultimately cannot persuade the Division Leaders responsible for the projects and activities to use outsourcing, the formal authorities he has would not count for much. Even his direct access to the Director of Administration would not be sufficient, although it does mean the Division Leaders know they have to take him seriously.

104. Clearly the CERN example deserves careful consideration. In following this example, however, note must be taken of the importance of personal effectiveness as compared to official authority. While the formal mandate of the position must provide sufficient authority, including especially a strategic position in the structure of the Secretariat, it certainly appears that a "Facilitator" would be more effective than a "Czar." In considering the possibility of establishing the position of a "Facilitator" for each of the organizations of the United Nations system, note should be taken of a similar recommendation for the United Nations in the OIOS report on outsourcing.[31]

C. More coordination through information sharing and joint actions

105. Outsourcing is one of those practices that would lend itself to effective coordination among the organizations of the United Nations system. A previous JIU report [32]pointed out that coordination among United Nations system organizations works well when mutual interests are perceived, which would be the case in regard to outsourcing, since the benefits to be gained from coordination are so apparent. As noted earlier (Chapter IV A), however, the absence of an explicit policy on outsourcing and an identified institutional infrastructure for managing it can make coordination difficult, since it would be unclear exactly what should be coordinated or who should seek such coordination.

106. There are strong legal grounds for such coordination. The relationship agreements between the United Nations and the specialized agencies, as well as a number of agreements concluded among specialized agencies, contain a standard clause on cooperation and exchange of information, inter alia, in administrative matters, which certainly applies to outsourcing activities.

107. At recent sessions of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions), an agenda item on productivity improvement has included discussion of matters such as travel arrangements, information systems development, auditing and accounts examination, and conference services which provided opportunity for exchanges of information on outsourcing. Nevertheless, more focused inter-agency action on outsourcing would be useful.

108. Therefore, **Recommendation 6** in the Executive Summary calls for the United Nations General Assembly to request the ACC, making use of the existing ACC machinery, i.e., CCAQ (FB), to encourage further coordination on outsourcing among United Nations system organizations by developing a system-wide definition of outsourcing and through the sharing of information and the exploration of possibilities for joint actions in the use of outsourcing.[33] Some examples of information sharing that could be productive would include:

- rosters of contractors in different fields, with evaluations of their performance so that poor performers are not "recycled" in the System;
- data bases on costs for different services by different contractors;
- cost-accounting methodologies such as those used by ITU and UPU;
- methodologies for conducting cost-benefit analyses to compare the costs and benefits of outsourcing versus keeping activities in-house, and specific analyses that may be of common interest;
- generic standardized contracts to cover jobs or activities common to most United Nations organizations, subject to scrupulous review and updating;
- procedures for formulating contracts and suggested formats; and
- case histories of how specific risks and problems have been handled.

109. Some examples of joint actions that could be productive would include:

- the development of common definitions and terminology for outsourcing that would make information sharing, comparative analysis and other joint actions easier and more productive;
- joint contracting for services to gain the benefit of economies of scale and increased bargaining power; and
- training seminars regarding various aspects of outsourcing.

D. Implementation review and evaluation

110. Making a policy work, and being sure that the policy is achieving the objectives expected when the Member States approved it, requires (1) good reporting and transparency from the Secretariat throughout implementation of the policy; and (2) a carefully structured review and evaluation in depth, once the policy has been implemented long enough to provide a meaningful basis for such a review and evaluation.

111. **Recommendation 4** in the Executive Summary calls for the Executive Heads of participating organizations to assure that information on the use of outsourcing is comprehensive and transparent in the regular programme budget submissions and performance reports. As stated before, this is critically important for providing the Member States with the basis for reaching informed judgments on the effectiveness with which the policy is being implemented.

112. Finally, and most importantly, **Recommendation 7** in the Executive Summary, calls for the legislative organs of each of the organizations to schedule a review and evaluation of the implementation of the policy on outsourcing three years after it has been approved. For this purpose, the Executive Heads would be requested to submit a report on implementation of the policy that would indicate, inter alia, savings and/or benefits achieved, special problems encountered, solutions attempted and proposals for appropriate improvements. Three years should be enough experience to provide a meaningful basis for such a review and evaluation; practices would not have become so well established that required corrections would be too difficult to make.

113. Because of controversies surrounding the issue of outsourcing, there may be a tendency for legislative organs to practice micro-management in overseeing implementation of the policy. The call for a scheduled review and evaluation of the approved policy on outsourcing is intended to help avoid this. Making a success of this policy, especially because of the controversy it may generate, will require an appropriate relationship of confidence and accountability between the legislative organs and the Executive Heads. The legislative organs must have confidence in the Executive Heads to use appropriate discretion in testing different measures to suit the practical situations that will develop. The Executive Heads, in turn, must understand that by a time certain they will be held fully accountable for what they have done, or not done.

114. As recommended in this report, each Executive Head of an organization would be requested to prepare, for approval at the appropriate level, a specific policy statement on the use of outsourcing for the organization. The Executive Head then would have the responsibility for implementing the policy. After three years of experience with the policy, the Executive Heads would be expected to provide a comprehensive report on implementation of the policy for review and evaluation by the appropriate legislative organ. By this means, the Executive Head would be given the freedom and discretion required for effective development and execution of the policy, and still would be held fully accountable for actions taken.

115. Taking advantage of the challenge of outsourcing would help instill in the United Nations system a continuing search for the increased effectiveness of operations required to meet the growing needs and expectations it faces.

Notes

1. The Report of the Office of Internal Oversight Services on the review of outsourcing practices at the United Nations (Annex to A/51/804, para. 13) makes the point that "there is no standard operational definition for 'outsourcing' within the United Nations". UNESCO is one organization that has prepared a definition of outsourcing, as follows: "Contracting out work for which the Organization may possess the necessary expertise or resources, but which can be done less expensively, more efficiently or expeditiously by an outside body;" see UNESCO 28C/INF 8.

2. In developing a system wide definition of "outsourcing," it would be useful also to give attention to definitions for possibly related terms such as "core" and "non-core" and "substantive" and "non-substantive".

3. See Common Services at United Nations Headquarters (JIU/REP/96/5). Another JIU report on Common Services at the United Nations Office in Geneva is forthcoming.

4. UNDP's response to the JIU questionnaire was restricted to expenditures from its administrative budget.

5. As previously indicated, UNDP's response to the JIU questionnaire was restricted to expenditures from its administrative budget.

6. In the Report by the Chairman of ITU-2000 to the ITU Council (C97/29-E, para. 81, Recommendation 19), it states that "it is recommended that ITU products and services should be outsourced where significant cost savings would result, consistent with the wishes of the membership on quality, flexibility and timeliness of service delivery, and that the staffing level should reflect the minimum requirements."

7. For the United Nations, ST/AI/327, is an Administrative Instruction to Members of the Staff for Institutional or Corporate Contractors. For UNHCR, IOM/4/96, is an inter-office memorandum outlining the procedures governing procurement of services from institutions or corporate bodies.

8. In the OIOS report on outsourcing, (A/51/804, para. 16), the point is made that, "In the current situation, ... outsourcing is too often employed as a 'reactive' management strategy to supplement limited personnel resources".

9. "Report on Standards of Conduct in the International Civil Service 1954", International Civil Service Advisory Board, (COOR/CIVIL/5) paras. 5- 7.

10. A/51/804, paras. 24-63.

11. In paragraph 72 of the OIOS report on outsourcing it strongly urges that "the success of outsourcing will be obtained only through vigilant monitoring/evaluation of each outsourcing exercise." Paragraphs 32-36, 60 and 64-67; and recommendations 4, 5, 11, and 12 are also relevant.

12. For example, large multinational companies such as IBM, Philip Morris, Pfitzer International, Nestlé, interviewed on the issue of travel management, all stressed a need to be able to monitor on a continuous basis and professionally evaluate the performance of outsourcing contractors. See also "Travel in the United Nations - Issues of Efficiency and Cost-Savings," (JIU/REP/95/10; or A/50/692).

13. For a more detailed discussion on the concern about the possible difficulty of finding competent translators in times of heavy workload, see "Outsourcing," *UN Staff Report*, vol. 22, No.3, (March 1997), p. 7.

14. See the World Bank *Administrative Manual*, "Outsourcing Policy and Implementation Guidelines," (World Bank/IFC/MIGA, Statement 16.00), para. 126, p. 32.

15. See the "Staff Position Paper on Outsourcing Issues," presented by the New York Staff Union in 1996 to the Staff Management Coordination Committee as Annex to SMCC-XX/1996/6.

16. See Staff Management Coordination Committee Report (SMCC-XX/1996/6, Draft III/2), para. 62.

17. Ibid., para. 6.

18. A/50/1004, para. 39 (a).

19. Staff for training on contract administration have been enrolled at George Washington University in Washington, D.C.

20. A/51/804, para. 11.

21. See New Directions in Finance: Strategic Outsourcing, by The Economic Intelligence Unit, in cooperation with Arthur Anderson, (New York, 1995), p. 9.

22. Ibid.

23. Ibid.

24. For example, in A Review of Telecommunications and Related Information Technologies in the United Nations System (JIU/REP/95/3, para. 111), it has been observed that, "in cases of emergency, the United Nations system needs to have a certain type of telecommunication, whatever the cost."

25. There is considerable evidence that governments lower production costs by contracting out, and Australian and British studies have found that savings are in the range of 20 percent to 30 percent. See Steven Globerman and Aidan R. Vining, "A Frame Work for Evaluating the Government Contracting-Out Decision with an Application to Information Technology," Public Administration Review, vol. 56, No. 6, November/ December 1996, p. 579. In an interview on March 26, 1996, for preparation of this report, David. C. Childs, of the Office of Management and Budget, Executive Office of the President, United States Government, described what he called the "competition axiom." He reported that when faced with the prospect of competition, public units tend to decrease their costs by 30 percent before entering competition. He said this finding has been verified by his own studies, by OECD studies, and by academics.

26. World Bank, op.cit., para. 17.

27. World Bank, op.cit., para. 19.

28. In the OIOS report on outsourcing, paragraph 20, the problem of associating costs with corresponding activities in the United Nations, which does not have an activity-based accounting system, is noted.

29. See New Directions in Finance: Strategic Outsourcing, op.cit., p. 31.

30. See "Review of Industrial Services Policy," (CERN/FC/3717) p. 1.

31. See the OIOS report on outsourcing, Recommendation 13.

32. See the United Nations System Cooperation with Multilateral Financial Institutions, Part II (JIU/REP/92/1), paras. 92-108.

33. See also OIOS report on outsourcing, Recommendation 3.

JIU 1995 SURVEY OF OUTSOURCING IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

(US Dollars to the nearest thousand)

		A. The United Nations, Specialized Agencies and IAEA													B. Operational Funds and Programmes**					
		UN	ILO	FAO	UNESCO	ICAO	WHO (HQ)	UPU	ITU	WMO	IMO	WIPO	UNIDO	IAEA	TOTAL	UNICEF	UNDP	UNFPA	WFP	UNHCR	TOTAL
1	Combined financial resources*	2,257,502	372,332	579,000	366,646	52,578	780,096	32,719	141,636	142,297	40,553	103,168	225,516	343,926	5,415,965	2,002,790	2,764,009	469,000	1,201,661	1,142,949	7,580,408
	Regular Budget		233,255	337,000	227,745	52,578	411,051	29,488	132,861	104,478	27,084	98,984	99,449	211,577	1,965,550						
	Extrabudgetary		139,077	242,000	127,900	NONE	358,046	3,231	8,775	37,819	13,469	4,181	126,067	132,349	1,192,913						
2	Funds for Outsourcing (allocated) in 1995***		6,594	Not Avail.	3,586	396	2,500	2,414	6,454	Not Avail.	4,016	27,019	15,092	2,907	72,978	Not Avail.	4,876	206,200	8,311	535,400	754,787
	Regular Budget		6,594	Not Avail	3,586	396	2,500	1,724	6,256	Not Avail	4,016	25,932	15,092	1,677	67,973						
	Extrabudgetary		NONE	Not Avail	NONE	NONE	NONE	690	2,198	Not Avail	NONE	1,087	NONE	1,030	5,005						
3	Distribution of (allocated) funds in 1995																				
	Headquarters		100%	Not Avail	100%	100%	100%	100%	NA	Not Avail	100%	100%	Not Avail	65%		Not Avail	72%	0%	100%	Not Avail	
	Field		0%	Not Avail	Not Avail	NA	Not Avail	NA	NA	NA	NA	NA	Not Avail	35%		Not Avail	28%	100%	0%	Not Avail	
4	Total Staff in 1995		2,404	4,653	2,431	736	4,143	208	786	304	316	627	1,062	1,753	19,443	7,517	5,512	924	1,968	5,423	21,344
	Regular Budget		65%	55%	85%	100%	69%	86%	94%	79%	80%	98%	79%	100%							
	Extrabudgetary		35%	45%	15%	0%	31%	14%	6%	21%	20%	2%	21%	0%							
5	Professional full-time staff for outsourcing in 1995		3	8	0	0	0	0	2	1	0	0	Not Avail	0	14	0	1	0	0	0	1
	Regular Budget		3	4	0	0	0	0	1	0	0	0	Not Avail	0	8	0	1	0	0	0	1
	Extrabudgetary		0	4	0	0	0	0	1	1	0	0	Not Avail	0	6	0	0	0	0	0	0
6	Activities Outsourced in 1995														POSITIVE Responses						POSITIVE Responses
	Major Substantive Programmes		NO (HQ)	YES	NO	NO	YES (HQ)	YES	NO	Not Avail.	YES	YES	NO	YES	6/12	YES	NO	YES	YES	YES	4/5
	Administrative Support-type Activities																				
	Accounting		NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO	NO	1/12	NO	YES	YES	NO	NO	2/5
	Auditing (internal)		NO	NO	NO	NO	NO	YES	YES	NO	NO	YES	NO	NO	3/12	NO	YES	YES	YES	YES	4/5
	Archives		NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO	NO	1/12	YES	YES	YES	NO	NO	3/5
	Bookshop (sale of org. pubs./docs.)/Giftshop		YES	NO	NO	NO	YES	NA	NO	NO	NO	YES	NO	NO	3/12	NO	NA	NA	NA	NO	0
	Building Maintenance		YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	YES	11/12	YES	YES	YES	YES	YES	5/5
	Cleaning Services		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	12/12	YES	YES	YES	YES	YES	5/5
	Food Services/Catering		YES	YES	NO	YES	YES	YES	YES	YES	NO	YES	YES	YES	10/12	YES	NA	YES	YES	YES	4/5
	Grounds/ (garden) Maintenance		YES	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	11/12	NA	NA	YES	YES	YES	3/5
	Interpretation		NO	YES	NO	YES	YES	YES	YES	YES	NO	YES	YES	YES	9/12	YES	YES	YES	YES	YES	5/5
	Translation		NO	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	10/12	YES	YES	YES	YES	YES	5/5
	Information Systems/Information Technology		NO	YES	NO	YES	YES	YES	NA	YES	YES	YES	NO	YES	8/12	YES	YES	YES	YES	YES	5/5
	Mail/Pouch		NO	YES	YES	NO	NO	YES	NO	YES	NO	YES	YES	NO	6/12	YES	YES	YES	YES	YES	5/5
	Medical Services		NO	YES	NO	YES	YES	YES	NA	YES	YES	YES	YES	NO	8/12	YES	YES	YES	NO	YES	4/5
	Printing/Publishing		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	12/12	YES	YES	YES	YES	YES	5/5
	Recruitment		NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO	NO	1/12	NO	YES	YES	YES	NO	3/5
	Security		YES	YES	NO	YES	YES	YES	NO	YES	YES	YES	YES	YES	10/12	YES	YES	YES	YES	YES	5/5
	Staff Counseling/Outplacement		NO	NO	NO	NO	NO	NO	NO	NO	NO	YES	NO	NO	1/12	NO	YES	YES	YES	NO	3/5
	Training		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	11/12	YES	YES	YES	YES	YES	5/5
	Travel Services		YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	11/12	YES	YES	YES	YES	YES	5/5
	Transportation/Local Motor Pool		YES	YES	NO	YES	NO	NO	NO	NO	NO	YES	NO	YES	5/12	NO	NA	NA	YES	NO	1/5
	Warehousing		NO	YES	NO	NO	YES	YES	NA	NO	NO	YES	NO	NO	4/12	NO	NA	NA	YES	YES	2/5
	Other		NO	YES	NO	YES	NO	YES	NO	YES	NO	YES	NO	NO	5/12	YES	YES	NO	YES	NO	3/5
	TOTAL (Outsourced Administrative Services)		10	16	7	13	14	16	10	14	8	22	11	12		14	17	18	18	15	
7	Required Legislative Authority to Outsource		NO	NO	NO	NO	NO	NO	NO	YES	NO	NO	NO	NO	1/12	NO	NO	NO	NO	NO	0
8	Written Outsourcing Policy		NO	NO	BD	NO	NO	NO	BD	NO	NO	NO	NO	NO	0	NO	NO	NO	NO	NO	0
9	Deciding/ Managing Procedures for Outsourcing																				
	Criteria for the Decision to Outsource		NO	NO	NO	NO	YES	NO	BD	NO	NO	YES	NO	NO	3/12	NO	NO	NO	NO	NO	0
	Use of any cost-benefit analysis		A	A	A	S	S	S	S	S	S	S	A	A	12/12	A	S	S	S	S	5/5
	Specified Cost- Benefit Methodology		NO	NO	BD	NO	YES	NO	NO	NO	BD	YES	BD	NO	4/12	NO	NO	NO	NO	NO	0
	Criteria for Selecting Vendors/Contractors		NO	YES	BD	NO	YES	NO	YES	YES	YES	YES	YES	YES	9/12	YES	YES	YES	YES	YES	5/5
	Procedures for Managing/Monitoring Contracts		NO	YES	BD	NO	YES	NO	NO	NO	YES	YES	YES	NO	6/12	YES	NO	YES	YES	YES	4/5
	Criteria for Assessing Performance		NO	YES	BD	NO	YES	NO	NO	BD	NO	YES	YES	YES	7/12	YES	BD	YES	YES	YES	5/5
	Criteria for Renewal of Contracts		YES	NO	YES	NO	YES	NO	YES	NO	YES	YES	YES	NO	7/12	YES	YES	YES	YES	YES	5/5
10	Staff Impact due to outsourcing in 1995		3	70	0	0	0	0	0	0	0	0	0	0	73	0	6	Not Avail.	0	0	6
	Retirement/Voluntary with incentives		1	0	0	0	0	0	0	0	0	0	0	0		0	6	Not Avail	0	0	
	Retirement/Voluntary without incentives		1	20	0	0	0	0	0	0	0	0	0	0		0	0	Not Avail	0	0	
	Retrained/remained		0	40	0	0	0	0	0	0	0	0	0	0		0	0	Not Avail	0	0	
	Redeployed/Transferred		0	5	0	0	0	0	0	0	0	0	0	0		0	0	Not Avail	0	0	
	Retrained & Redeployed		0	5	0	0	0	0	0	0	0	0	0	0		0	0	Not Avail	0	0	
	Terminated staff contracts		1	0	0	0	0	0	0	0	0	0	0	0		0	0	Not Avail	0	0	
	Other		0	0	0	0	0	0	0	0	0	0	0	0		0	0	Not Avail	0	0	

* Does not include peacekeeping funds and funds for tribunals (Former Yugoslavia and Rwanda)

**In the absence of assessed budgets, figures reflect expenditure based on voluntary funding

***Allocated funds for outsourcing for UNDP is from their Administrative budgets only

A= always; S= sometimes, N= never; BD= being developed, NA= not applicable